COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE THIRD SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL D.T.E. 06-31

Date: September 25, 2006

Responsible: Danny Cote, General Manager

AG 3-5: Please provide all e-mails and other correspondence from 1999 to the present to or from Dan Cote, Keith Dalton, Harris Marple, Shawn Patterson and Mike O'Donnel (or their respective predecessors)

regarding Bay State main leak repairs.

RESPONSE: This question has been modified per agreement with the Attorney

General, requesting e-correspondence and other documentation resulting from a search of Dan Cote's e-mail box, seeking all e-mails to/from Harris Marple and/or Mike O'Donnell with the key term "main leak repairs."

Please see Attachment AG-3-5A for hard documents. No e-mails meeting these search parameters were identified in Mr. Cote's active or archived mailbox.

Emails and Other Correspondence from or to Dan Cote, Marple, Dalton, Patterson, Page 1 of 10 O'Donnell pertaining to

Main Replacement - AG-3-4

Main Leak Repairs - AG-3-5

Budget -

AG-3-6

Corrosion & BS

AG-3-7

Searched Danny's "Hard" files - nothing found

Searched Danny's H; Drive (Danny had moved some documents from his email to H Drive before deletion of old emails)

The relative documents are attached.

Bay State & Northern Utilities – January 2004 Status Report

January 2004 O&M Budget Status

Preliminary results of BSG\NU January O&M spending indicate that we were over budget by approximately \$175,000, primarily due to increased leak response and repair. The two key drivers to this are the number of broken Cast Iron mains we experienced in our Springfield, Lawrence, and Maine systems, and the number of corrosion leaks we continue to see in the Brockton system. While the leaks on CI are created by ground movement and are almost exclusively a first quarter phenomenon,

BSG\NU Energy Products and Services

Scott Macdonald, Marty Poulin, and I have formulated an EP&S staffing proposal for Sam's review that will rectify the EBIT shortfalls which occurred in our EP&S business during 2003. The plan will provide an additional \$900,000 in 2004 EBIT by staffing the service function to the volumes of work identified and budgeted for (but not staffed to) in the 2004 budget plan. These changes will also help reduce the currently high overtime levels in service and will provide a better distribution of resources in the field to meet the emergency response and service quality expectations of our regulators. If approved, our plan is to have these added resources in place in time to meet the anticipated demand for seasonal HVAC inspections, which typically begins in the April\May timeframe.

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Bay State Gas Company D.T.E. 06-31 Attachment AG-3-5 A Page 3 of 10

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Combined Regulatory & Operations Staff Meeting Notes November 22, 2004

To: Bill St.Cyr, Charles Moran, Colin Nesbit, Dana Argo, Danny Cote, Don Merriam, Donald Dinunno, Jay Moore, John DaSilva, Keith Dalton, Marie Walker, Martin Poulin, Mike Laghetto, Pamela Bellino, Pat Teague, Paul Rogosienski, Gerry Gillmeister, Stephen Bryant, Virginia Anthony, Chico DaFonte, Doug Casey, Joe Ferro, Marge Izzo, Derek Buchler, Jim Keshian, Trish French, Tom Birmingham, Steve DeCarolis, Susan Kullberg

cc: Sam Miller, Sherry Gavito

From: Danny Cote

Notes by: Darcy St. Martin

A combined operations and regulatory staff meeting was held to present each group's major topics.

- 1. Third Quarter Financial Update (handouts) Steve Bryant & Dan Cote
 - > Third Quarter is critical. Last opportunity to complete compliance. Important to operate business responsibly in preparation for Massachusetts Rate Case.
 - > YTD NiSource Earnings per Share Close to plan
 - Favorable: Weather cooperated; Interest rates are down and hopefully will stay down;
 Lower property taxes
 - Unfavorable: Customer usage is down; cool summer, lower gas demand
 - ⇒ BSG/NU YTD Financial Results Better than plan
 - Favorable: 3.7% colder than normal; Lower O&M expenses; favorable property tax adjustments Paul Franciose challenges assessment strategies to keep taxes down.
 - Unfavorable: Unbilled accounting adjustment
 - ⇒ BSG performed better than planned Great job with O&M expenses.
 - > Guardedly optimistic regarding incentive compensation. Warm weather in the outlook. Surprises (that are not helpful) typically occur during last quarter.
- 2. Gas Supply/Gas Costs (handouts)
 - Wholesale update- Chico DaFonte: Storage is critical element market driven. Prices increased every year since 2001. Currently, prices trending downward. Prices are higher in January and February. Limit customer exposure to higher prices by drawing from lower storage prices. Hurricane Ivan drove price up \$3.00 in September. Wholesale November price is 40% more than last year. Normal temperatures are predicted for New England in 04-05.
 - Rates/CGA Overview Joe Ferro: Cost of gas rates higher compared with last year BSG/23% increase; NU-NH/2% increase; NU-ME/8% increase.
 - CGA calculations approved by PUC's. Mass. did not approve October filing. DTE allowed to gradually increase costs.
 - MA & ME have significant under-collection issues which will drive prices up in the future

November 22, 2004
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■ Gas competitive with oil prices - \$1.96/gallon. \$2.14 converted gas pricettachment AG-3-5 A

Communications efforts/customer outreach – Chuck Moran/Don DiNunno: Increased prices have impacted customers. Media coverage prevalent re: gas prices. Focus on educating customers that assistance is available. Public officials also trying to help constituents.

 DSM co-funding fuel assistance guidelines brochures. Ads are distributed to all media, town officials, etc. Posters available to all people who need assistance. Posters to be placed in walk-in areas.

Customer Issues

- Update from Call Center Pat Teague
 - 73,000 calls; 86% service. 4,448 calls in October.
 - Virtual Hold 2 minute wait lowered to 1.45. Customers asked if prefer call back or stay on hold.
 - Attendance policy for the call center was presented to union. Meetings to alert employees as to seriousness of new policy. No call-outs since policy instituted.
- Revenue Recovery Steve DeCarolis
 - Additional employees added to focus on protected residential accounts. OCM's involved.
 - Fuel assistance program payments sent to Springfield.
 - BSG incurs higher write-off than rest of NI. Higher June & July figures attributed to lag time from shut-offs in April. CGA – 60% recovered write-offs.
 - In October, BSG experienced .97% percent write off, compared to .79% last year.
- DTE/PUC Complaint Case Update Virginia Anthony
 - Complaints down from last year in all three states.
 - Tightening up collection practices spawned customer complaints for 2004.

3. Sales/EP&S Update - Marty Poulin

Sales

- New sales force hired in August Need 12 months for accurate assessment of their
- New load bookings have been trending up since September
- YTD bookings \$306,125 higher than last year. Commercial bookings \$299,022 higher than last year. New projects may possibly generate additional \$250,000-\$300,000 booked net revenue.
- \$3 million projected net revenue.

Northeast Retail Services

- YTD EBIT \$5,041.3 (\$27.6 higher than planned) \$599,100 ahead of 2003 (13.4%).
- YTD Revenues \$382,400 ahead of 2003 (2.5%).
- Gross Profit \$173,300 ahead of 2003 (1.5%)
- 2% of Annual inspections lead to installs. 4,152 more inspections completed through September than last year. During April 1 – October 31 completed 92 more installs than last year.
- Over 6,100 new Guardian Care contracts. Exceeded goal!
- GC revenues \$562,500 (13.5%) higher than last year.
- GC profit \$510,900 (18%) higher than last year.

4. Regulatory Update – Joe Ferro/Steve Bryant

- Interruptible Sales Curtailment-Joe Ferro
 - Priority based on reliability and costs to firm customers.
 - August and September, 2004 letters sent to IC notifying of plans to shut-off.

November 22, 2004

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- Turn-off effective December 1. Turn-on April 1.
- No obligation to serve IC.
- Hospitals are required to have dual fuel should be firm customers. Gas Use charged at Emergency Sales rate.
- When request for Firm Service need customer commitment to use minimum level of gas.
- Arrangements may be necessary to enter into agreements. May need DTE approval.
- SQI Update Steve Bryant. Major improvements made over last 4 years. Large penalties paid to DTE 4 years ago. Will be in great shape now and in future. Important for all employees to be aware of measures. Doing great job!
 - Mass met all targets in October.
 - No penalties in NH. Targets met.
 - Most targets met in ME
 - Updated <u>Performance Metrics</u> summary posted on MySource.

5. Operations Update

- Cast Iron (Maine)
 - Maine has higher rate of breakage that other BSG Locations. Repair 15-25 mains/year for 30 years. Since 1970, house lost every 17 years. MPUC now pays more attention to system.
 - Completing deal with PUC for 10 year / \$3.5 year replacement in Maine.
 - 136 miles of cast iron in Maine.
 - Rates in Maine will step-up as the Capital is spent. Step adjustment not approved until base rates in place.
- Operations Status Report
 - PT (Meter testing) issue to be addressed by alerting customers in a letter that a warrant will be issued and Sheriff will accompany service tech to change and/or shut off meter. 47 customers with meters over 14 years. Letters sent and will need to follow-up to complete process by end of year.
 - Bill (Brockton OCM) 65 Class II's; Surveys on schedule; corrosion activities on schedule; Capital Construction Incremental \$4.3 M to replace 100 feet of bare steel
 - Pam (Springfield OCM) 40+ Class II's, Surveys completed; Corrosion activity is current, Other operating issues 3 cracked mains 12", 16" and 8" in different locations.
 - Paul (Maine OCM) 0 Class II's; Surveys completed; Other Operating Issues 2 MGP sites Lewiston pipeline integrity issues. Possibly eliminate line; ISO audit went very well; pipeline contractors sent home.
 - Mike (Lawrence OCM) Less than 6 Class II's; Surveys completed; corrosion activities are done; PT's will be an issue due to short staffing; illegal apartments discovered—working with cities to clean up problem. DTE questioning problem.
 - John (NH OCM) 2 Class II's; Leakage Surveys OK; Corrosion Activities up to par; Capital Projects 5 crews; Other issues audit for ISO went very well.
 - Don M. (Corrosion & Leakage) A few Corrosion repairs need to be completed.
 - Dana (Peak Shaving Plants, M&R) Preparing plants and regulator stations for winter ready to go.
 - Marie W (Logistics\Support Ops) Dispatch update: Transition from dispatch to logistics has begun. Logistics Coordinator in place by December. Marty met with group to explain EP&S program. Kathy and Ralph to focus on how to improve procedures. Kathy is working on repeat calls. Need to resolve meter work in Lawrence.
- RP1162 U.S. DOT issued proposed rulemaking incorporating reference API Recommended Practice 1162 "Public Awareness Programs for Pipeline Operators"

November 22, 2004
Bay State Gas Company

Standards recommend how pipeline operators should communicate with publified ment AG 3 5 A systems. BSG/NU already satisfies many recommendations.

- Establishes clear management accountability and support for the program (a regulatory requirement.
- Provides a standard framework for program documentation.
- Provides operating company accountability and flexibility to address specific regulatory requirements, local initiatives or association programs.
- Establishes a NiSource Corporate Advisory Committee to foster efficiency, consistency, best practices and compliance (in accordance with the Center of Excellence concept).
- Coordinating efforts with NGA. No need to duplicate efforts.
- Preliminary rulemaking by January, 2005; final by January, 2006.
- Bellingham, Washington incident inspired legislation for Public Awareness, (i.e., odor, pipe placement, etc.)
- Bill stuffers not sufficient to communicate to all stakeholders.
- POD in Maine to address pipeline integrity.

Next Staff & Budget Meetings
Monday, December 20
9 a.m. - noon
Budget Meeting
1 p.m. - 3 p.m.
Westborough/Brockton Room
Westborough

August 18th, 2006

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Confidential Page 10 of 10
For Internal Use Only

Operations East

HOT

- We are working on the Operations portion of the new Virginia data requests AG set 3.
- We and Ohio are completing the RFP's for a replacement to Detech, our current contract locator. This is likely to increase the cost of contract locating going forward.
- We are ramping up our planning processes in Pa. to increase the number of class 2 leak repairs. There are currently over 2200 open leaks and the goal would be to reduce this to 1700 by year end.
- The investigation of the Mt. Pleasant investigation determined that it was caused by a corrosion leak on our system. During a follow-up meeting with the commission staff on this incident, the discussion expanded to include CPA bare steel replacement rates. We have 45 days to respond with a planning timeline to address all bare steel in our Pa system.

In Process

- 2006 Mass Bare Steel & Me. Cast Iron Replacement is underway
- 2006 Construction program underway in all Dist East Ops locations
- Submitted Operations testimony to commission in Va. Rate case, waiting for data requests from staff.
- Work with Terry Murphy on joint Reg\Ops strategy in Pa. and responses to management audit
- Working with Steve Bryant on responses to BSG management audit
- We are initiating a Process in Pa to began surveying all bare steel and CI mains annually.
- We are continuing to work on operations responses in the BSG management audit.

Calendar

8\18 - Give OQ presentation
At the AMSC meeting in
Pittsburgh
8\18 Executive Safety
Committee meeting
8\21 Pa. Bare Steel
replacement call
8\22 Pa Budget Meeting
8\23 Suffolk Va. LOA visit &
Labor discussion
8\24 Pa Staff Meeting

2006 Ops East Goals

Employee Safety				
Plan	Actual			
90	161			
27	28			
22	22			
	Plan 90 27			

Illianci		
0&M	90.2	*90.5
Capital	134.8	*134.8
EP&S	6.2	*5.8

Customer Service

• Leak res.	95%	97.5%
Ser. App	95%	97.5%
Cust. Sat	95%	95.8%
 Compliance 	e 100%	100%
•Dam\1000	TBD	2.54

Regulatory

Support Ma. Management
a outsourcing Docket
Support Me., Va, and Pa.
Rate cases and filings
YE Projected

COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE THIRD SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL D.T.E. 06-31

Date: September 25, 2006

Responsible: Stephen H. Bryant, President

AG 3-6: Please provide all e-mails and other correspondence from 1999 to the

present to or from Dan Cote, Keith Dalton, Harris Marple, Shawn Patterson and Mike O'Donnel (or their respective predecessors)

regarding the Bay State's budget for main replacement.

RESPONSE: This question has been modified per agreement with the Attorney
General, asking for e-correspondence and other documentation resulting
from a search of Dan Cote's active or archived e-mail box, seeking all emails to/from Harris Marple and/or Mike O'Donnell with the keys term

"main replacement," "budget," and "forecast."

Please see Attachment AG 03-04A for hard documents and e-mails meeting these search parameters that were identified in Mr. Cote's active or archived mailbox. (For convenience, Attachment AG 03-04A is also marked Attachment AG 03-06A)

COMMONWEALTH OF MASSACHUSETTS DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

RESPONSE OF BAY STATE GAS COMPANY TO THE THIRD SET OF INFORMATION REQUESTS FROM THE ATTORNEY GENERAL D.T.E. 06-31

Date: September 26, 2006

Responsible: Danny G. Cote, General Manager

AG 3-7: Please provide all e-mails and other correspondence from 1999 to the present to or from Dan Cote, Keith Dalton, Harris Marple, Shawn Patterson and Mike O'Donnel (or their respective predecessors) regarding corrosion on bare steel mains and services in Bay State's Lawrence, Springfield and Brockton Service territories.

RESPONSE: This question has been modified per agreement with the Attorney General.

Attached as Attachment AG 03-07 are e-correspondence and other documentation resulting from a search of Dan Cote's e-mail box, seeking all e-mails to/from Harris Marple and/or Mike O'Donnell with the keys term "corrosion" and/or "bare steel."

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Main Replacement - AG-3-4

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4. Regulatory Update – Joe Ferro/Steve Bryant

- Interruptible Sales Curtailment-Joe Ferro
 - Priority based on reliability and costs to firm customers.
 - August and September, 2004 letters sent to IC notifying of plans to shut-off.

- Turn-off effective December 1. Turn-on April 1.
- No obligation to serve IC.
- Hospitals are required to have dual fuel should be firm customers. Gas Use charged at Emergency Sales rate.
- When request for Firm Service need customer commitment to use minimum level of gas.
- Arrangements may be necessary to enter into agreements. May need DTE approval.
- SQI Update Steve Bryant. Major improvements made over last 4 years. Large penalties paid to DTE 4 years ago. Will be in great shape now and in future. Important for all employees to be aware of measures. Doing great job!
 - Mass met all targets in October.
 - No penalties in NH. Targets met.
 - Most targets met in ME
 - Updated Performance Metrics summary posted on MySource.

5. Operations Update

- Cast Iron (Maine)
 - Maine has higher rate of breakage that other BSG Locations. Repair 15-25 mains/year for 30 years. Since 1970, house lost every 17 years. MPUC now pays more attention to system.
 - Completing deal with PUC for 10 year / \$3.5 year replacement in Maine.
 - 136 miles of cast iron in Maine.
 - Rates in Maine will step-up as the Capital is spent. Step adjustment not approved until base rates in place.
- > Operations Status Report -
 - PT (Meter testing) issue to be addressed by alerting customers in a letter that a warrant will be issued and Sheriff will accompany service tech to change and/or shut off meter. 47 customers with meters over 14 years. Letters sent and will need to follow-up to complete process by end of year.
 - Bill (Brockton OCM) 65 Class II's; Surveys on schedule; corrosion activities on schedule; Capital Construction Incremental \$4.3 M to replace 100 feet of bare steel
 - Pam (Springfield OCM) 40+ Class II's, Surveys completed; Corrosion activity is current, Other operating issues 3 cracked mains 12", 16" and 8" in different locations.
 - Paul (Maine OCM) 0 Class II's; Surveys completed; Other Operating Issues 2 MGP sites Lewiston pipeline integrity issues. Possibly eliminate line; ISO audit went very well; pipeline contractors sent home.
 - Mike (Lawrence OCM) Less than 6 Class II's; Surveys completed; corrosion activities are done; PT's will be an issue due to short staffing; illegal apartments discovered—working with cities to clean up problem. DTE questioning problem.
 - John (NH OCM) 2 Class II's; Leakage Surveys OK; Corrosion Activities up to par; Capital Projects 5 crews; Other issues audit for ISO went very well.
 - Don M. (Corrosion & Leakage) A few Corrosion repairs need to be completed.
 - Dana (Peak Shaving Plants, M&R) Preparing plants and regulator stations for winter ready to go.
 - Marie W (Logistics\Support Ops) Dispatch update: Transition from dispatch to logistics has begun. Logistics Coordinator in place by December. Marty met with group to explain EP&S program. Kathy and Ralph to focus on how to improve procedures. Kathy is working on repeat calls. Need to resolve meter work in Lawrence.
- RP1162 U.S. DOT issued proposed rulemaking incorporating reference API Recommended Practice 1162 "Public Awareness Programs for Pipeline Operators"

Standards recommend how pipeline operators should communicate with publics along their systems. BSG/NU already satisfies many recommendations.

- Establishes clear management accountability and support for the program (a regulatory requirement.
- Provides a standard framework for program documentation.
- Provides operating company accountability and flexibility to address specific regulatory requirements, local initiatives or association programs.
- Establishes a NiSource Corporate Advisory Committee to foster efficiency, consistency, best practices and compliance (in accordance with the Center of Excellence concept).
- Coordinating efforts with NGA. No need to duplicate efforts.
- Preliminary rulemaking by January, 2005; final by January, 2006.
- Bellingham, Washington incident inspired legislation for Public Awareness, (i.e., odor, pipe placement, etc.)
- Bill stuffers not sufficient to communicate to all stakeholders.
- POD in Maine to address pipeline integrity.

Next Staff & Budget Meetings
Monday, December 20
9 a.m. - noon
Budget Meeting
1 p.m. - 3 p.m.
Westborough/Brockton Room
Westborough

Weekly Scan

August 18th, 2006

Confidential For Internal Use Only

Operations East

HOT

- We are working on the Operations portion of the new Virginia data requests AG set 3.
- We and Ohio are completing the RFP's for a replacement to Detech, our current contract locator. This is likely to increase the cost of contract locating going forward.
- We are ramping up our planning processes in Pa. to increase the number of class 2 leak repairs. There are currently over 2200 open leaks and the goal would be to reduce this to 1700 by year end.
- The investigation of the Mt. Pleasant investigation determined that it was caused by a corrosion leak on our system. During a follow-up meeting with the commission staff on this incident, the discussion expanded to include CPA bare steel replacement rates. We have 45 days to respond with a planning timeline to address all bare steel in our Pa system.

In Process

- 2006 Mass Bare Steel & Me. Cast Iron Replacement is underway
- 2006 Construction program underway in all Dist East Ops locations
- Submitted Operations testimony to commission in Va. Rate case, waiting for data requests from staff.
- Work with Terry Murphy on joint Reg\Ops strategy in Pa. and responses to management audit
- Working with Steve Bryant on responses to BSG management audit
- We are initiating a Process in Pa to began surveying all bare steel and CI mains annually.
- We are continuing to work on operations responses in the BSG management audit.

Calendar

8\18 - Give OQ presentation
At the AMSC meeting in
Pittsburgh
8\18 Executive Safety
Committee meeting
8\21 Pa. Bare Steel
replacement call
8\22 Pa Budget Meeting
8\23 Suffolk Va. LOA visit &
Labor discussion
8\24 Pa Staff Meeting

2006 Ops East Goals

Employee Safety Plan Actual DAW 90 161 OSHA 27 28 Pr V acc. 22 22

Financial O&M 90.2 *90.5 Capital 134.8 *134.8 EP&S 6.2 *5.8

Customer Service

Leak res. 95%	97.5%
•Ser. App 95%	97.5%
•Cust. Sat 95%	95.8%
 Compliance 100% 	6 100%
•Dam\1000 TBD	2.54

Regulatory

Support Ma. Management
outsourcing Docket
Support Me., Va, and Pa.
Rate cases and filings
YE Projected

Don Merriam

07/06/2006 10:46 AM

To: Bill St.Cyr/BSG/Enterprise@Nisource, Dana Argo/BSG/Enterprise@Nisource, Danny Cote/BSG/Enterprise@Nisource, Edward Collins/BSG/Enterprise@Nisource, Joan Furtado/BSG/Enterprise@Nisource, John DaSilva/BSG/Enterprise@Nisource, Kenneth Santucci/BSG/Enterprise@Nisource, Mike Laghetto/BSG/Enterprise@Nisource, Pamela Bellino/BSG/Enterprise@Nisource, Paul Rogosienski/BSG/Enterprise@Nisource, Robert Allen/BSG/Enterprise@Nisource

CC:

Subject: Re: Mastic

After talking to Ralph he will increase the reorder quantities of wax tape, T Tape and gray tape as we begin to use them as the substitute for mastic.

Ralph is checking to see if he can send the existing quantities back for a refund. If not, we will use up the existing stock and not reorder.

Don Merriam Corrosion/Leakage & Facilities Manager Office - 508-836-7237 Cell - 508-380-5742 Fax - 508-836-7070 dmerriam@nisource.com

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Don Merriam

Don Merriam

06/29/2006 08:41 AM

To: Ralph Wadman/BSG/Enterprise

cc: Bill St.Cyr/BSG/Enterprise@NiSource, Pamela Bellino/BSG/Enterprise@NiSource, Mike Laghetto/BSG/Enterprise@NiSource, John DaSilva/BSG/Enterprise@NiSource, Paul Rogosienski/BSG/Enterprise@NiSource, Robert Allen/BSG/Enterprise@NiSource, Joan Furtado/BSG/Enterprise@NiSource, Kenneth Santucci/BSG/Enterprise@NiSource, Edward Collins/BSG/Enterprise@NiSource, Danny Cote/BSG/Enterprise@NiSource, Dana Argo/BSG/Enterprise@NiSource

Subject: Mastic

Ralph

It has been decided that we will no longer stock mastic in the warehouse. We will increase the reorder quantities of wax tape, T Tape and gray tape, where applicable, and they will be used as the substitute for the mastic.

Could you tell me how much mastic we have remaining in each warehouse? If the quantities are high, is it possible to send it back for a refund? If the quantities are low we will use up the remaining stock, but not reorder.

Thanks for your help with this!

Don Merriam Corrosion/Leakage & Facilities Manager Office - 508-836-7237 Cell - 508-380-5742 Fax - 508-836-7070 dmerriam@nisource.com